

A National Housing Policy for Canada

THE CANADIAN WELFARE COUNCIL
245 COOPER STREET
OTTAWA

SEPTEMBER 1947

PRICE 15c.

Foreword

This pamphlet contains an analysis of the present crisis in Canadian housing and a series of recommendations on public policy. It has been prepared by the following special committee of the Surveys and Research Division of The Canadian Welfare Council under the chairmanship of Dr. Harry M. Cassidy:

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A preliminary draft of the committee's report was widely circulated for criticism among all members of the Board of Governors and Regional Advisers of the Council and a large number of other persons. It has been revised by the committee in the light of comments and criticisms received from these persons, and in its present form has been approved by the Board of Governors as a carefully prepared and considered statement of Council policy.

It is now presented to all the major governmental bodies in Canada, Dominion, provincial and local, and to the general public, in the hope that it will contribute to the formulation of more satisfactory public policies to deal with the highly urgent issue of housing for the Canadian people.

R. E. G. DAVIS,
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Summary

- I. The future health, vigour and stability of the nation will depend greatly upon the housing conditions under which the people live and raise their children.
The opportunity for every Canadian family to enjoy a decent house and a healthy neighbourhood environment should be a primary objective of national policy.
- II. So seriously has Canada lagged in the production of housing that in order to catch up with the growth of the population nearly half a million units must now be built in the five post-war years, twice as many as were ever built in any previous five years. Beyond this is the need to replace at least 175,000 sub-standard dwellings and put into operation a continuing system for the redevelopment of decaying urban areas.
- III. High building costs threaten to cut off the supply of new housing and have already made it unprofitable to produce additional rental housing, the form of accommodation normally required by more than half the population and particularly needed by families under the severest pressure of the housing shortage.
The volume of housing production initiated during the first months of 1947 is not sufficient to sustain the program that had been planned and may represent an actual decline in output compared with the previous years.
Meanwhile manpower and materials have been diverted into more profitable but less essential forms of construction.
- IV. It has been the basic assumption of government policy that the quantity of housing produced by the free processes of supply and demand might fill the needs of the nation.
The "sufficiency" of the supply must, however, be judged from the quality of the housing which is available to those in the worst conditions.
Though the government has stated that it will take positive action if the supply should prove insufficient, yet no adequate legislative or administrative arrangements have been made for such a contingency. The failure of the housing supply to be accelerated in 1947, now makes it necessary to implement the Dominion Government's undertaking. The lack of such long-term arrangements discourages development of the residential building industry, endangers the economy and fails to fill the needs of those who most urgently require improved housing.

- V. There are reasons for anticipating that the supply of houses resulting from private initiative will continue to prove inadequate. This will not be due to the shortages of materials but will arise because the number of families who can afford to buy new houses is distinctly limited; in normal times they do not represent more than a third of all families, and under present high costs, probably not more than a fifth of the families in the country can afford a new house. The volume of new housing initiated by this group can not be enough to make up the large backlog that has now accumulated.
- VI. There is no real prospect of reducing the costs of houses built by present methods. Housebuilding has not benefited from industrial technology because the market has been too insecure and irregular to attract large-scale fabricators. The capital required to put a new kind of building industry into operation would have to be supported by national credit and made secure by long-range commitments to maintain the building program. A public housing program would reinforce the otherwise unstable housing market.
- VII. The introduction of a public housing program is the most effective form of positive action that can be taken by governmental authority to ensure sufficiency of housing supply and consistency in the volume of production. It will ultimately be the only means of raising the standards of those in the worst housing conditions.

Public housing calls for the participation of Federal, provincial and municipal governments each in their appropriate roles.

The Federal Government is required to establish a national rent reduction fund, the provincial governments will have to perform a planning and legislative function and the municipal authorities will have to be responsible for the management of public housing estates.

RECOMMENDATIONS:

1. The objective of national housing policy should be a supply of housing sufficient to provide a decent home in a healthy environment for every Canadian family. The responsibility of the national government does not cease until this objective has been gained.
2. In order to overcome the high costs of residential building the Federal Government should—
 - (a) Intensify its research activities for the development of more economical and efficient fabrication techniques.
 - (b) Finance the establishment of industries for producing and assembling houses.

3. In order to overcome the lack of decent housing available to low-income families and their incapacity to pay for new housing, the Federal Government should inaugurate a long-term program of public housing with the co-operation of the provincial and municipal authorities. This program should be started immediately in order that the whole administrative organization may be put into action in readiness for further expansion when required.

For this purpose—

- (a) A National Rent Reduction Fund should be established.
 - (b) The loan facilities of the Central Mortgage and Housing Corporation should be made available to local public housing authorities to be established by the municipalities.
4. The provincial governments should provide enabling legislation for the establishment of local public housing authorities and define their areas of operation so as to encourage the greatest possible collaboration with local Planning Boards. Provincial governments should also be prepared to operate housing projects in rural areas and wherever local governments are inadequately equipped to assume such responsibilities.
 5. The local housing authorities so established should assume responsibility for the development, ownership and management of public housing estates and should assume control of the Wartime Housing projects and other publicly owned housing within the communities.
 6. The public housing program should be expanded and developed in such a manner and at such times that the nation's supply of new housing may be maintained at the required volume and so that the plant and personnel of the residential building industry may be kept in continuous operation.

I. THE HISTORIC OPPORTUNITY

The future vigour and stability of this nation will depend, to a great degree, upon the effectiveness of Canada's national housing policy. The character of the houses in which Canadian families are raised and the amenities of the neighbourhoods in which they grow up will exercise a profound influence upon the coming generations of citizens. For without the physical requirements in which to lead a healthy and well organized life the benefits of social, economic, educational and health policies cannot materialize.

Into its legislative structure the Dominion has incorporated, from time to time, certain provisions for aiding the construction of houses, notably the Housing Acts of 1935, 1938 and 1944. But these have been designed to serve certain specific needs in the light of existing circumstances and have not envisaged long-term plans for the accomplishment of fundamental national objectives. They have benefited certain classes of our society but have not been effective in improving the environment of those who have the lowest standards of living.

The very large program of residential construction upon which this country is now embarked offers an unparalleled opportunity to formulate such far-reaching plans. The housing policies now to be put into operation will create the living conditions of generations of Canadians yet to come. Such an opportunity may not recur during this century.

In planning this program the objective of national policy should be to provide every Canadian family with the opportunity to enjoy a decent home and a healthy environment. The nation's resources of manpower and materials employed in the construction of homes should be directed towards the accomplishment of this objective and the responsibility of government does not cease until this objective has been reached.

From its member agencies and from social workers in communities throughout the Dominion the Canadian Welfare Council continually receives news of the distressing housing conditions in which Canadian families live. In every income group there are families to whom the housing shortage has brought separations, fears and grave costs. But for many people in the low income group the housing shortage has brought catastrophe. Families continue to live in make-shift dwellings, in emergency housing, in slums whose removal is long overdue and with reluctant friends and relatives. Without proper homes children must spend their lives on the streets and are constantly being moved from one neighbourhood to another. Under the continual threat of eviction and with the irritations of overcrowded rooms, life becomes so unpleasant that escape is sought in quarreling, drinking and gambling.

For young people these housing conditions are particularly distressing; they are sensitive to the anxiety, humiliation and strained family relationships. For young married people, who need privacy in which to adjust themselves and establish a family, the frustrations are dangerous. Altogether the lack of adequate housing accommodation is having an effect upon Canadian family life that is both tragic and alarming.

The Canadian Welfare Council is now convinced that these social problems can no longer be regarded as temporary features of the post-war period which will correct themselves spontaneously. The housing situation is not materially improving and there are already indications that it may further deteriorate since the supply of new housing in 1947 is falling far short of the program that had been planned.

In the light of these circumstances the Canadian Welfare Council believes that the time has come for the inauguration of a more constructive and vigorous national housing policy, particularly aimed to benefit those families which are suffering from the worst housing conditions. This Brief does not attempt to depict the distressing conditions which are only too familiar to citizens in every community in the country; it is, rather, a brief analysis of the housing problem with which Canada is faced and an outline of the national policy which is proposed.

II. THE NEED FOR HOUSES

During the pre-war years of economic depression and while the resources of manpower and materials were diverted for war purposes an inadequate quantity of housing was built in Canada. When the housing production of Canada is compared with that of the United States and Great Britain on a *per capita* basis, it is found that between 1921 and 1939 for every 100 houses built in the Dominion 160 were built in the United States and 190 in Great Britain. There already existed a serious shortage of accommodation when the recent war years stimulated economic activity creating favourable conditions for marriage and the creation of new family units. During the years 1939-1945 there were 795,000 marriages as compared with 534,000 during the previous seven years; this increase in family formation has intensified the housing shortage.

For many families, particularly those of veterans, the shortage of accommodation has brought one of the most acute forms of social distress, the inability to raise a family in the privacy of their own homes. The Central Mortgage and Housing Corporation has reported that in the spring of 1946 at least 150,000 families were involuntarily doubled up. A survey conducted by the Dominion Bureau of Statistics

in the fall of 1946 reveals 188,000 cases of multiple occupancy in cities of more than 30,000 population.

To overcome this deficiency and keep pace with the expansion of a vigorous population it is now necessary to build in a few years a quantity of housing which would normally have been spread over a much longer period. Half a million houses (480,000) in the five post-war years is the target that has been set by the responsible minister of the Dominion Government; this is more than twice the number (220,000) built during the previous most productive years of residential construction (1926-1930).

Meanwhile, under the pressure of this shortage the existing accommodation has had to be put to an intensive use. In 1946 about 3,000 new dwelling units were created by converting old residences. And the retirement of the obsolete dwellings that have been accumulating in Canadian cities for many years has again had to be postponed. Based on the evidence of the 1941 Census, the Curtis Committee* calculated that 175,000 sub-standard housing units in urban Canada were in need of replacement. These are still occupied and the Dominion Government's target of half a million houses in the five post-war years is not sufficient to accomplish this replacement as well as to provide for new families and to make up the backlog of the depression and war years. Meanwhile the process of obsolescence continues; it should be observed that about 60 per cent of Canada's housing accommodation is now more than 25 years old and was designed to conform with standards accepted in the period before the first World War.

*See *Housing and Community Planning*, Report IV, Advisory Committee on Reconstruction, March, 1944.

III. THE POST-WAR EXPERIENCE

In approaching the housing problems with which it was faced the Dominion Government equipped itself with a new National Housing Act, shifted administrative responsibility from the Minister of Finance to the Minister of Reconstruction and created a new agency, the Central Mortgage and Housing Corporation, in which all the Government's housing functions are now centralized. To hold the housing market under some control the powers of the Wartime Prices and Trade Board have also been employed to limit the prices of certain elements in the housing supply, principally rents and construction materials.

The conditions in which the Government has had to operate have not been easy. It has been difficult to balance the relative benefits of controls required for the protection of the consumer and the freedom from controls demanded by those trying to initiate new business.

At the conclusion of the war the demand for housing was released

with full force. Reacting upon the limited supply of existing housing and the lack of materials and skilled personnel for creating new housing, the demand immediately had the effect of raising prices in spite of efforts at control. Tenant families suffered because the sale of a large number of previously rented houses reduced the total amount of accommodation available for distribution amongst a larger number of tenant families. Though protected by rent ceilings tenants have, in fact, had to pay more in order to acquire uncrowded accommodation and have also had to meet costs of repair and maintenance which under other circumstances landlords would have been prepared to pay.

Meanwhile for those who planned to purchase new houses prices had risen alarmingly. By the summer of 1946 building materials were 52 per cent above the level of 1935-1939 and wages in the construction industry had risen 36 per cent. It was hopefully observed that after the previous war, in 1920, prices had risen to a similar level and thereafter had declined steadily. But there is not now the same prospect of substantial decreases in prices, because, unlike the 1920 period, present price levels appear to be firmly based on higher wage levels rather than on mere scarcity. It is, in fact, likely that the costs of construction will increase further since construction wages have not yet risen to the general average of all wage rates.

In 1945 residential construction contracts were awarded to the value of \$196,000,000 and 47,767 housing units were completed. In 1946 residential construction contracts increased to \$213,000,000 and it has been estimated that 62,500 housing units were built. The Minister of Reconstruction has given assurance that sufficient manpower and materials are available to step up production to 80,000 units in 1947 and to 100,000 in each of the subsequent two years. This is the target that has officially been set and considerable significance must therefore be attached to any evidences of increased production during the present year. Unhappily the evidence of such favourable development is not to be found. The contracts for residential construction awarded during the first five months of 1947 (see below) not only fail to reveal an accelerated housing production but actually indicate that the output of finished houses will shortly drop. The carry-over from 1946 may make the number of completions for 1947 higher than last year, but the smaller number of starts in 1947 makes it very doubtful whether the 1948 target can be anything like reached.

**Value of Construction Contracts Awarded in Canada
During Five Months January-May Inclusive**

1945	\$60,884,700
1946	\$88,926,800
1947	\$56,695,200

(Figures published monthly by MacLean Building Reports Limited)

In the face of this evidence it may justifiably be said that the hope of overcoming the housing crisis through the existing methods of production is now doomed.

Since it has been the policy of the Dominion Government to encourage private initiative to provide houses for sale at as modest a price as possible, builders have concentrated upon the production of small homes of minimum size. These have fallen into the \$6,000-\$9,000 cost range. During 1946 single family dwellings represented 84 per cent of all units constructed. The high costs of construction have discouraged those who would normally build larger houses and this demand has been largely taken up by the very active market for older houses. There has consequently been an extraordinary uniformity in the type of house constructed, limited on one side by the minimum standards for obtaining loans and limited on the other hand by high prices. This lack of variety in the housing product of 1946 is a characteristic feature of the period.

The outstanding feature, however, of post-war housing output has been the almost complete absence of privately constructed rental housing, followed in May, 1947 by the withdrawal of Housing Enterprises Limited from further operations. The only active producers of rental housing have been the Government's own agency, Wartime Housing Limited, and the semi-public agency, Housing Enterprises Limited. The former completed 6,812 units in 1946 and the latter had some 3,300 units coming into occupation early in 1947. This relatively small proportion of rental housing should be set against the fact that 53 per cent of Canadian urban householders are tenants.

This concentration upon the production of the small privately-owned house and the lack of houses designed specifically for rental purposes raises a fundamental issue in housing policy. It is to be assumed that the large tenant population is a feature characteristic of an urban society; whatever opinions may be held on the virtues of home-ownership we must now accept the fact that more than half the urban population are tenants, whether by preference or force of circumstances. It therefore becomes necessary to plan within our housing programs for a sufficient supply of dwellings that lend themselves to this form of tenure. It must be recognized that the design and ownership of rental property are matters that concern a larger number of people than the home-owners. It seems scarcely reasonable that the provision of housing for more than half the population should be, as it were, a by-product of home-ownership.

On June 19, 1947 rental controls on new accommodation were removed and the Minister of Reconstruction has promised that further encouragement will be offered to the private construction of rental housing through permitting "double depreciation" of values by which

there may be a writing off of the inflated costs. There is at present little prospect that either of these measures will lead to the production of the type of housing suitable for family occupation or that it will be available at a rent within the capacity of any but those in the upper income group. Private investors will demand a high rental revenue to protect themselves against the decline in equities which they anticipate.*

Between 1945 and 1946 the number of residential construction contracts awarded increased 8.7 per cent. But in the same period industrial construction increased 83 per cent and business construction 116 per cent. Throughout the war years business had to postpone its building program and the last year has seen a full flood of this expansion taking place. While in 1944 and 1945 residential work had represented nearly a half of all construction in 1946 it represented barely a third of all the contracts that were let. It was to be expected that the backlog of commercial construction would have to draw heavily upon the limited force of skilled construction personnel but the big volume of commercial contracts undoubtedly offers a most serious threat to the continuity of the housing program.

*For a full discussion of reasons for non-production of rental housing in active building periods see Coleao, Miles L. *American Housing: Problems and Prospects*. Twentieth Century Fund, New York, 1944.

IV. LACK OF LONG-TERM POLICY

It appears to have been the basic assumption of Government policy that the economic demand of upper income families could bring about a sufficient volume of production; from which there would follow a process of "filtering down" as the result of which lower income families would eventually come into possession of enough used housing. In other words all additions to the nation's stock of housing might be derived from the initiative of that section of the community which could afford to buy or rent new houses. With this approach to housing the Dominion Government has concerned itself primarily with the means whereby individuals could purchase houses; the Government's central housing agency has consequently developed the form of a mortgage and financing institution. This role of the Dominion Government in housing was expressed by the Minister of Reconstruction in the following terms in outlining his plans for 1947: "As in 1946, we will continue to rely for the major portion of our new housing upon private endeavour. It is our policy to ensure that as much new housing as possible be built by private initiative. Toward this end we will lend every facility. If, however, for any reason the supply of housing by private initiative is insufficient, then and then only will the Dominion Government take a direct position in the housing field".

This is a general proposition with which there need be no fundamental disagreement. If, as the result of private initiative, there were to come into existence such a number of satisfactory dwellings that every household in Canada could be provided with suitable accommodation then there would certainly be no need for further governmental action in the matter. The Minister's general statement of policy, however, raises two important questions:

- (1) What should be regarded as the criterion of a "sufficient" supply of housing?
- (2) What would be the appropriate manner by which the Dominion Government should "take a direct position in the housing field"?

In seeking an answer to the first question it is to be assumed that the Minister of Reconstruction has had in mind the announced target of 480,000 units in five post-war years. Presumably the Dominion Government must now consider itself obligated to take positive action since it now seems certain that the 1947 production will fall below 80,000 housing units.

In developing a national housing policy it is necessary, however, to take an even more far-sighted view and adopt a more profound basis for appraising the sufficiency of the nation's housing supply. It should be recognized that the ultimate criterion of the effectiveness of any housing policy is the standard of accommodation available to families in the *worst* housing conditions. Unless the production of housing ultimately succeeds in raising every household in the community above a minimum acceptable standard the supply can hardly be described as sufficient. The creation of 480,000 housing units may be the interim "target" of the Dominion Government and this may be followed by other short-term "programs"; but it must be clearly perceived that beyond these endeavours is the ultimate objective of improved housing conditions for everyone in the community. The production of 480,000 units in five years would be very far from achieving this; it would not even represent a start made on raising the standards of those living under the worst housing conditions. It would only provide for the *additional* number of housing units required and would leave quite unsolved the whole problem of how to replace all the sub-standard dwellings which would still be remaining in use, a number which the Curtis Committee has estimated as 175,000. It must therefore become the concern of the responsible agency of the Dominion Government to familiarize itself with the worst conditions under which Canadian families are living and to sponsor positive action for their amelioration.

It may perhaps be objected that constitutionally this ultimate responsibility for the housing conditions of the Canadian people cannot be accepted by the Federal Government and that it properly belongs

to the provincial and municipal governments. As in so many aspects of our national affairs it becomes necessary in practice to place responsibility where it can most effectively be fulfilled rather than be governed by a constitutional formula that was conceived in a previous century. Citizens of this Dominion should be able to achieve a certain minimum standard of living irrespective of the province in which they happen to reside. Only the Federal Government has the capacity to bring this about and therefore its power to act must be recognized and supported.

This leads to the second question referred to above: "What would be the appropriate manner by which the Dominion Government should 'take a direct position in the housing field'?"

V. CAN PRIVATE INITIATIVE SUPPLY ENOUGH HOUSING?

The kind of governmental action that could be taken to correct an insufficient supply of housing would, of course, depend upon the reasons for the insufficiency. There are three principal factors that could contribute to such a situation:

- (1) Absolute shortages of building materials and skilled labour.
- (2) The diversion of materials and labour from residential building into other forms of construction.
- (3) The costs of building becoming so high that demand ceases to make itself felt. Or, to express the same notion in another way; the purchasing power of those who need housing may prove to be inadequate to meet the costs of new accommodation.

Throughout 1945 and 1946 it is evident that failures in accomplishment could be largely attributed to absolute shortages. As far as materials are concerned, it is generally supposed that this situation will correct itself during 1947 and in 1948 there will be adequate stocks. It is not so evident that the provisions for training a force of building tradesmen are on a large enough scale; for this purpose the trades schools and apprentice systems should come under the keenest scrutiny of the responsible authorities. It should be recognized, however, that young men are not going to enter occupations which seem to them as vulnerable as the building industry was during the pre-war years. The present shortage of skilled labour is largely attributable to the insecurity of income in a kind of work which reacts so sensitively to economic conditions. The prospect of enrolling a skilled labour force is therefore closely interlocked with the national government's total policy for maintaining residential construction at a full and steady level.

It has been shown above that there has already been a diversion of materials and labour into more profitable forms of construction. The

difficulties of trying to impose controls in a free enterprise economy are too well known to need elaboration. Controls are negative actions which automatically set up forces of opposition and encourage evasive black market tactics. A more effective and constructive kind of action is the public initiation of housing projects which will call upon the private resources of capital, labour, manufacturer and contractor. Rather than preventing materials and labour from flowing into naturally profitable channels it must be made profitable for them to enter the housing field.

In examining the third possible cause for an inadequate supply of housing, involving the relationship between building costs and purchasing power, we are dealing with economic features of a more fundamental and complex character.

The economic demand for new housing is limited to those families whose incomes are sufficient to support either the rent or the payments on the purchase of a new house. At no period has this represented a very large proportion of the population. As a generalization it may be said that under normal circumstances not more than a third of the households in any community have been in such a financial situation; in practice about 20 per cent of the population has usually been responsible for the creation of the community's housing production which has been subsequently "filtered down" to other users. Since the active market for new housing is pretty much confined to this upper income group there is a real limit to the extent of economic demand even in times of acute housing shortage. At the present time the economic demand is limited to those who can afford to buy a new house for \$6,000 or rent a new house for about \$40 a month; at present costs of construction these represent the minimum prices at which new housing of decent quality can be provided. From this it may be seen that only families with annual incomes of more than about \$2,400 can afford to occupy new housing (assuming that not more than one-fifth of a family's income is available to pay for housing). As soon as this effective demand has been satisfied there is an end to the economic demand for new housing, even though the needs of the rest of the community have not been fulfilled. The section of the community which can afford to pay for new housing is of fairly limited size. According to a statement* recently presented to the House of Commons only 30 per cent of all the taxpayers in the Dominion have incomes of more than \$2,000 and only 10 per cent have more than \$3,000. This would suggest that not more than 20 per cent of the families in the Dominion are within the income group which can afford to pay for new housing. (It should be noted that the number of taxpayers is somewhat less than the number of families in the Dominion).

*See *Hansard* Vol. LXXXVI No. 74, page 8472. (May 26, 1947).

During the next five years will this small proportion of all Canadian households be able to initiate the production of nearly half a million houses? There are now about 2,750,000 housing units in Canada; is it conceivable that 20 per cent of the population is going to be responsible for adding 18 per cent to the total amount of housing? This is clearly an economic absurdity. We are forced to arrive at the conclusion that, the relationships between building costs and incomes being as they are, it will be impossible to accomplish the immediate housing target through private initiative alone. It is still more improbable that there could be such a volume of new housing that the obsolete dwellings and slum areas could be vacated because better housing had been filtered down.

There are only two approaches to the solution of this difficult problem. Either the costs of constructing new housing must be revolutionized or the ability of families to pay for new housing must be supplemented. In fact it is of the utmost importance to the future welfare of the Canadian people that the housing problem be attacked vigorously from both these directions simultaneously. Otherwise we shall not escape from the pressure of the housing shortage that we have allowed to accumulate against us with all its attendant miseries of overcrowding and blighted areas.

A recognition of this inherent nature of the housing problem leads to a technological appraisal of the building industry and to proposals for a public housing program.

VI. THE COSTS OF HOUSING CONSTRUCTION*

This is not the place to discuss at length the ways in which economies could be effected in the structural design of Canadian houses. There is, of course, an infinite number of possible refinements each one of which would contribute a very minor reduction in costs. But within the boundaries of the building techniques practised by the speculative builder, on whom we have relied for the major part of the output, there are not known to be any significant economies in view; at least none that would radically change the situation that has been outlined above.

*An increase in the productivity of labour is one of the objectives to be sought in devising technological and economic solutions to the housing problem. Output per worker at the present time is considerably lower than it could be but the explanation for this is not, as some suppose, to be found, altogether or even mainly, in the wilfulness of labour. Rather it is a direct consequence of the instability of the building industry. The main effect of this instability, so far as labour costs are concerned, is to produce a shortage of skilled workers when they are needed most, which is our present situation. Restrictive practices unquestionably exist, although their extent and importance can easily be exaggerated. They are an attempt on the part of unions, to the extent these operate effectively in the housebuilding field, to protect their members against uncertain employment. It is unrealistic to suppose that such practices can be removed until there is assurance that the marked fluctuations, characteristic of building activity in the past, have been largely eliminated. It is a matter of general knowledge that the suppliers of building products practise similar restrictions for precisely the same reason.

In viewing the house building industry against the contemporary background of industrial organization one very significant feature emerges. That is the small scale of the operating producer. Housing in Canada has been constructed very largely by speculative builders, each a small organization with about half-a-dozen employees usually under the direction of a carpenter-contractor producing three or four houses a year. The impossibility of major technological economies being introduced under such a system has been well expressed by Dr. W. C. Clark, Deputy Minister of Finance:*

"Anyone who has followed through the various procedures in the production of a new house . . . is familiar with the laborious assembly of the multitude of individual items that go into the making of a house, all purchased in expensive retail lots; with the slow succession of the long series of sub-contractors and skilled artisans of different trades whose co-operation is only loosely organized, resulting in loss of time, confusion, frequent jurisdictional disputes and excessive cost; with the waste and delays due to vagaries of the weather and the loss involved in the disposal of excess material and of the temporary manufacturing plant located on the building site. Not the least important source of waste and excessive cost is the elaborate system of small-scale jobbers and middlemen who must keep on hand stocks of material and equipment for contractors and sub-contractors with limited financial resources. The small scale of such operations, the difficulty of gauging an uncertain and fluctuating market, and the long tie-up of capital in a myriad of necessary raw materials result in an inevitable marking up of such materials by from 10 to 100 per cent over manufacturers' cost, all of which cost has to be borne by the completed house . . ."

"Making due qualification for the fine contribution of many small builders working under great handicaps, the truth of the matter is that the ablest and most responsible elements in the construction industry have not devoted their attention to the building of houses. They have spurned a business which appeared to be turning out a handmade product catering to the particular idiosyncrasies of a few individuals in the higher-income groups. They have overlooked the possibilities inherent in applying organizing and promotive ability, large-scale methods, adequate financial resources and modern science, to the task of providing decent and economical shelter for families in the lower and middle income groups. This task has been left to the smaller and sometimes to the less responsible elements in the industry who are confronted with difficulties which—are almost insurmountable and the results are—what we see around us on every hand."

Housebuilding has been "spurned" by the industrialist for the very good reason that the housing market has been uncertain, volatile and irregular. To attract capital for the establishment of plants and personnel equipped with machines and tools there must be a prospect of sustained output over a long term of years. But since housing is the most expensive item in a family's budget the production of new accommodation is unfortunately the first point of retreat in times of economic recession. (The crises of the present shortage has given us

*See Clark, W.C. *Housing*, Dalhousie University Bulletin on Public Affairs, No. VI. Halifax, 1888.

a painful demonstration of this fact.) Consequently the housing industry has had to be "spurned" by capital.

If major economies in housing construction are only to be achieved through the industrialization of the process of fabrication, it will be necessary to guarantee the housing market*. For this reason it is proposed that within the Federal Government's provisions for major construction projects to be undertaken during periods of economic recession public housing should be regarded as one of the most essential elements. It must be pointed out, however, that in order to accomplish this purpose it will not be sufficient merely to keep public housing "on the shelf"; the administrative procedures required for the initiation of such projects are necessarily complicated and time-consuming. To make such a policy effective it will in fact be necessary to put public housing into operation immediately on a scale which can be quickly intensified when the time is opportune.

When viewed in its proper relationship with all other aspects of the complex housing scene, it becomes evident that public housing has an essential place in our economy; apart from the immediate benefits to its occupants it may indirectly benefit the community as a whole by drawing into operation a type of industrial organization that should be able to produce a more rational and economical house than has been achieved by the small-scale speculative builder.

*It is necessary also for the government to conduct the technical research required for the development of improved industrial processes. See Gray, George Herbert, *Housing and Citizenship: a Study of Low-Cost Housing*, Reinhold, New York, 1946. In fairness to Ottawa, it should be added that technical research has begun, but on a trifling scale as compared, for example, with military research.

VII. RENTAL SUBSIDIES AND PUBLIC HOUSING

To maintain the demand for housing an increase in purchasing power achieves virtually the same effect as reducing the costs of constructing new houses. If the economic demand for houses fails to initiate an adequate supply it will become necessary to supplement the incomes of families who cannot otherwise obtain the accommodation they need. This is the function of public housing supported by grants for rent-reduction. It is direct action by governmental authority to achieve the proper ultimate objective of all housing policies, namely the provision of decent accommodation for those in the worst conditions. Private initiative aims to achieve its objective by putting in enough houses at the top and allowing them to filter down. Public housing is the process of removing the worst houses at the bottom of the scale and substituting dwellings of decent standard. It has now become the practical experience of all urbanized countries except Canada, that these two processes must proceed simultaneously in mutual support of one another.

At the present time there is no national legislation by which public housing can be put into operation other than through the agency of Wartime Housing Limited, which has already been providing accommodation at less than an economic rental. When the Minister of Reconstruction indicated that if housing supply failed it might be necessary for the Dominion Government to "take a direct position in the field" it must be inferred that he intended to use Wartime Housing Limited for this purpose since there is no other agency at his disposal and no proposal has been made for the creation of other public housing agencies. But the responsibility of the Dominion Government to establish a system of rental subsidies by means of which public housing may be created does not necessarily carry with it the responsibility to use a federal agency for the ownership and operation of such public housing. Such a system was inevitable during the emergency of war but it seems altogether inappropriate at the present time. Within our whole framework of democratic action it is not desirable that a matter so intimately associated with family life and with the planning of individual communities should be centralized in Ottawa. As far as possible communities should be in control of their own physical planning and the policies for the ownership, development and management of public housing estates should therefore originate in the councils of local governments. The function of the central government should be limited to the provision of financial and legislative facilities by means of which local governments may undertake subsidized low-rental housing. For this purpose new national legislation is required and local arrangements must be made for the establishment of responsible authorities to operate public housing projects. In entering upon a new social undertaking of such dimensions it is necessary to define the respective areas of responsibility for the Dominion, provincial and municipal governments and to determine the basic principles which should govern their actions in this field. These may be broadly defined as follows:

A. THE DOMINION GOVERNMENT

With its ultimate responsibility to bring about a supply of decent housing available to households down to the lowest economic level, it is the function of the Dominion Government to make the financial provisions that will achieve this purpose. These provisions should take the following forms:

(1) *Loans to the responsible local authorities.* By the National Housing Act 1944 loans are offered to limited dividend housing corporations (through the Central Mortgage and Housing Corporation) but no provision is made for loans to public housing agencies that may be established by municipal governments. For this purpose an amendment to the Act is required.

(2) *Rental subsidy grants.* The major portion of the subsidies required to reduce rentals to a level within the capacity of low income families should be provided out of the national treasury in recognition of the fact that the main determinants of housing output, incomes and costs, are matters solely within the effective control of the Federal Government. For this purpose it will be necessary for parliament to vote the appropriation of a Rental Subsidy Fund. In undertaking approved low-rental projects local authorities may contract with the Federal Government to obtain annual payments from this fund in such an amount that the rent revenue receivable from tenants plus these subsidy payments will together meet the costs of amortisation and operation. It should be anticipated that, on the security of income derived from the rent revenue together with such subsidies it would be possible for local authorities in Canada (as it has been for hundreds of such authorities in the United States) to finance their public housing projects privately and so attract capital other than that offered by the Central Mortgage and Housing Corporation's loan funds.

(3) *Grants in aid of land acquisition.* Under the terms of the National Housing Act 1944 (Section 12) federal grants are already available to aid in the clearing of slum areas and the acquisition of such land for low-rental housing. The offer of these grants is at present contingent upon such land being sold to limited dividend housing corporations. A minor amendment to the Act is required in order that the public housing agencies of municipalities may operate on land so acquired.

The introduction of public housing into the national program might require some adjustment in the Federal Government's administration. The Central Mortgage and Housing Corporation is the Government's agency for the provision and administration of building loans to private persons and corporations and it will presumably have to extend its loan facilities to local public housing agencies. These are essentially banking operations and represent an economic function quite distinct from the making of grants either for acquiring slum land or for subsidizing rents. Though there are administrative advantages in centralizing all the Federal Government's housing activities in one agency, yet the question arises as to whether the allocating of rental subsidy funds, that must be voted by Parliament from the national treasury, is a function altogether consistent with the character of a mortgage and financing institution incorporated as a Crown Company. Should not the appropriation of such funds and the contractual relationship with local housing authorities be the direct responsibility of a Minister of the Crown, directly answerable to Parliament which must vote the necessary funds? This is now the case with slum clearance grants. If private initiative assisted by the loan facilities of CMHC is

not able to supply enough adequate housing then it will become the function of the responsible Minister to bring into operation the rental subsidy funds that would help to achieve this purpose. Local housing authorities which could demonstrate that their communities must have low-rental housing as replacements for slum dwellings or to re-house overcrowded low-income families would have to make application for grants from the national rent subsidy fund. Having entered into contract for the periodic receipt of such grants, a local housing authority would then be in a position to obtain loans through CMHC. To avoid administrative overhead expenses the routine business of both loans and rental subsidy payments could be passed through the regional offices established by CMHC.

B. THE PROVINCIAL GOVERNMENTS

The provincial governments have an essential part to play in the development of public housing since the municipalities derive their powers from provincial statutes. The jurisdiction of municipalities in establishing and operating housing agencies has to be determined by the legislatures and their solvency is the responsibility of provincial governments. It is the function of provincial authority to direct and protect the use of the land and to see that the development of communities is carried out in an orderly fashion. In planning the development of the land and its resources for the welfare and enjoyment of its people, housing thus becomes an essential concern of the provincial governments. The extent to which the provinces may be able and may wish to contribute financially to public housing will depend upon their desire to see their plans realized and also upon the sources of revenue that are available to the provinces in agreement with the Dominion. The need for a clear definition of functions makes it desirable to attach financial responsibility specifically to the Dominion Government and organizational responsibility to the provinces.

Provincial governments should immediately provide legislation to authorize the establishment of local public housing authorities. In doing so the defined area of operation should, as far as possible, coincide with the operating area of the local or regional Planning Board. This would facilitate the close co-ordination of housing policies with the development of community plans. In metropolitan centres and large urban areas it would be particularly advisable for local housing authorities to be permitted to place housing projects both on central and suburban sites (which would usually be in different municipalities) so as to effect a proper balance between exterior extension of the urban area and the process of interior redevelopment. It would be advisable also to avoid the expensive multiplicity of a number of small housing authorities each operating strictly within its own municipal boundaries. This grouping together of municipal powers both for

housing and for community planning can only be brought about through the legislation and discreet leadership of the provincial governments. Beyond this general role of direction and leadership it will undoubtedly be necessary for provincial governments to assume the actual execution and management of housing projects in rural areas and where scattered communities are not equipped to operate their own housing business.

C. MUNICIPALITIES

The actual execution and management of public housing projects should take place at the municipal level where the citizens of the area may participate in the formulating of policies so acutely affecting the welfare of their own community. In order to do this it is first necessary to set up a responsible agency to which the municipalities may delegate their powers as far as housing is concerned. In the establishment of such a local housing authority three levels of administrative authority should be defined.

The Board of the Authority

The Executive Director

The Technical and Management Staffs

The functions of these would be broadly as follows:

(1) *The Board of a Housing Authority* should be a corporate body composed of representative citizens, five or seven in number, appointed by the elected councils of the municipalities concerned and serving a specified term preferably of three years in rotation. In order that the actions of the Board should not be influenced by self-interest or office-seeking the majority of the Board should not themselves be members of elected councils; nor should the remuneration received be more than sufficient to compensate for the time spent at the sessions of the Board. The Board should not itself be an administrative body but should be solely responsible for the formulation of policies to be executed on their behalf by the Executive Director.

(2) *The Executive Director* should be appointed by the Board and be empowered to translate its policy into action. He should be responsible for the appointment of his staff and for the efficiency of its operation.

(3) *The Technical Staff* of the Housing Authority would be responsible for the operations by which housing projects would be sited, land acquired, designs prepared, contracts let and the completed projects maintained in good repair. In the disposition of projects there should be continuing collaboration with the staffs of the City and Regional Planning Boards. For the designing of projects the services of

professional architects should be retained and contracts would, of course, be let on a competitive basis.

The Management Staff would be responsible to the Executive Director for the selection of tenants, the collection of rents and the general well-being of the tenants. For this purpose one manager should be individually responsible for each project and for all personal relationships with its tenants.

The financial operations of a public housing authority should be based on the proposition that the total rent revenue plus the total subsidy payments received should together equal the total amortisation and operating costs. The subsidy required to make the operations of the authority self-supporting might thus vary from time to time according to economic conditions affecting tenants' incomes on one side and building costs on the other. Though the major portion of the subsidies would have to be derived from the national rent reduction fund, yet a proportional contribution should be made by the municipalities themselves in order that there might be a strong local motive for economy in operation. The partial remission of taxes on public housing projects provides a convenient method for municipalities to make such contribution. While the subsidy payments obtainable from the national source would be based on the actual housing units provided in each project, yet the local authority should be permitted to consolidate such payments and use its discretion in applying the rent reduction funds as might appear most beneficial. By this means a system of differential rents could be used. That is to say, rents for specific dwellings could be varied according to the changing capacities of tenant families; so long as the total revenue and the total costs balanced each dwelling would not have to carry a fixed rent.

VIII. RECOMMENDATIONS

(1) The objective of national housing policy should be a supply of housing sufficient to provide a decent home in a healthy environment for every Canadian family. The responsibility of the national government does not cease until this objective has been gained.

(2) In order to overcome the high costs of residential building the Federal Government should:

- (a) Intensify its research activities for the development of more economical and efficient fabrication techniques.
- (b) Finance the establishment of industries for producing and assembling houses.

(3) In order to overcome the lack of decent housing available to low-income families and their incapacity to pay for new housing, the

Federal Government should inaugurate a long-term program of public housing with the co-operation of the provincial and municipal authorities. This program should be started immediately in order that the whole administrative organization may be put into action in readiness for further expansion when required. For this purpose:

- (a) A National Rent Reduction Fund should be established.
- (b) The loan facilities of the Central Mortgage and Housing Corporation should be made available to local public housing authorities to be established by the municipalities.
- (4) The provincial governments should provide enabling legislation for the establishment of local public housing authorities and define their areas of operation so as to encourage the greatest possible collaboration with local Planning Boards. Provincial governments should also be prepared to operate housing projects in rural areas and wherever local governments are inadequately equipped to assume such responsibilities.
- (5) The local housing authorities so established should assume responsibility for the development, ownership and management of public housing estates and should assume control of the Wartime Housing projects and other publicly owned housing within their communities.
- (6) The public housing program should be expanded and developed in such a manner and at such times that the nation's supply of new housing may be maintained at the required volume and so that the plant and personnel of the residential building industry may be kept in continuous operation.

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